

DATE IN 9/26/12	SUSPENSE NA	ENGINEER Brooks	LOGGED IN 9/27/12	TYPE NSL	APP NO. PKVR1227L30378
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



Chesapeake Operating  
INC  
PLU Phantom Banks  
20 25 31 USA #1H

### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

6687

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR

- [D] Other: Specify \_\_\_\_\_

2012 SEP 26 A 10:59  
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[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Adam G. Rankin \_\_\_\_\_ Attorney \_\_\_\_\_ 9/26/12  
 Print or Type Name Signature Title Date  
 agrankin@hollandhart.com  
 e-mail Address



**Adam G. Rankin**  
**Associate**  
Phone 505-954-7294  
Fax 505-983-6043  
agrarkin@hollandhart.com

September 26, 2012

**VIA HAND DELIVERY**

Jami Bailey  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

RECEIVED 000  
2012 SEP 26 AM 10:59

**Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.**

Dear Ms. Bailey:

Chesapeake Operating, Inc. (OGRID No. 147179) hereby seeks administrative approval pursuant to the provisions of Division Rule 19.15.15.13 NMAC for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well to be located in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico. The proposed well is to be drilled horizontally at a surface location 150 feet from the North line with a penetration point 330 feet from the North line and approximately 660 feet from the West line of Section 20. The bottom-hole location will be at an unorthodox location 100 feet from the South line and 660 feet from the West line of Section 20. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 W/2 of Section 20.

**Exhibit A** is a land plat for Section 20 and surrounding sections that shows the proposed non-standard location of the PLU Phantom Banks 20 25 31 USA 1H well in relation to adjoining units and existing wells. This location is unorthodox because the formations under this acreage are governed by the Division's statewide rules which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the spacing unit. The bottom-hole location of this well will be located 100 feet from the South line of Section 20 for engineering reasons, and is, therefore, closer to the section line than allowed by Division rules.

**Exhibit B** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the proposed PLU Phantom Banks 20 25 31 USA 1H well encroaches on the spacing and proration unit to the South.



**Exhibit C** is a list of the affected parties. Pursuant to 19.15.4.12(A)(2)(c) NMAC, affected parties are those toward whom the non-standard location encroaches. Here, the proposed bottom-hole location encroaches on the spacing and proration unit to the South. The affected lessee is BOPCO, L.P. A copy of this application with all attachments was mailed to the notice recipient.

**Exhibit D** is a letter signed by BOPCO, L.P. waiving all objections to the encroachment by the PLU Phantom Banks 20 25 31 USA 1H well.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Rankin", with a large, stylized initial "A" and a long, sweeping underline.

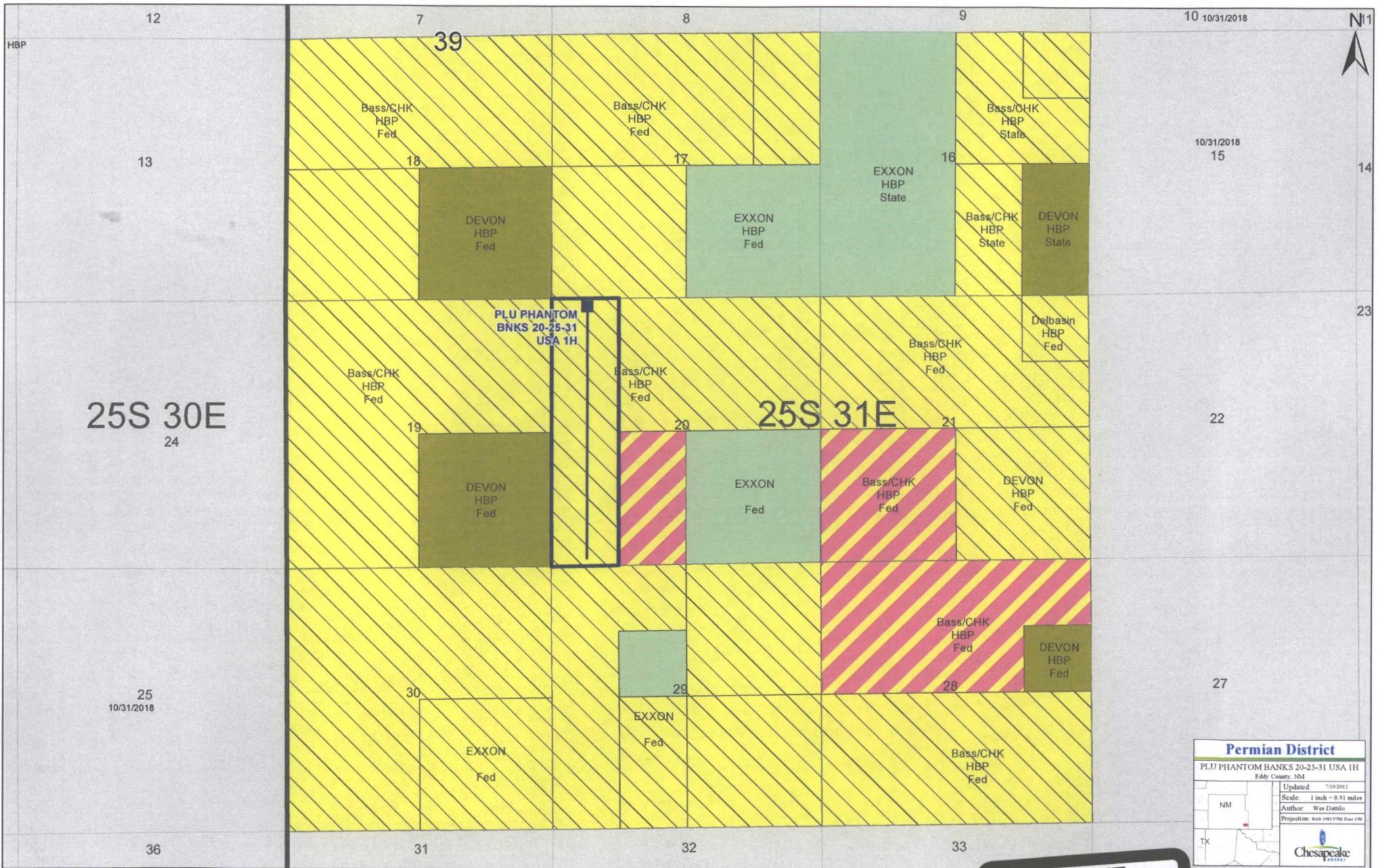
Adam G. Rankin

**ATTORNEY FOR CHESAPEAKE OPERATING, INC.**

AGR

cc: Monty Montgomery, BOPCO, L.P.

Enclosures



**EXHIBIT**  
**A**

tabbles

**District I**  
 1635 N. French Dr., Hobbs, NM 88340  
 Phone: (575) 393-6161 Fax: (575) 393-0120  
**District II**  
 811 S. First St., Artesia, NM 88210  
 Phone: (575) 748-4282 Fax: (575) 748-0220  
**District III**  
 1090 Rio Arriba Road, Aztec, NM 87410  
 Phone: (505) 331-6178 Fax: (505) 331-6170  
**District IV**  
 1220 S. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3160 Fax: (505) 476-3462

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

Form C-102  
 Revised August 1, 2011  
 Submit one copy to appropriate  
 District Office

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number <b>30-015-40764</b>	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name <b>WC; BIG SINKS; BONE SPRING</b>
<sup>4</sup> Property Code	<sup>5</sup> Property Name <b>PLU PHANTOM BANKS 20 25 31 USA</b>	
<sup>6</sup> OGRID No. <b>147170</b>	<sup>7</sup> Operator Name <b>CHESAPEAKE OPERATING, INC.</b>	
		<sup>8</sup> Well Number <b>III</b>
		<sup>9</sup> Elevation <b>3383'</b>

**" Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	20	25S	31E		150'	NORTH	660'	WEST	EDDY

**" Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	20	25S	31E		100'	SOUTH	660'	WEST	EDDY

<sup>10</sup> Dedicated Acres: **160**    <sup>11</sup> Joint or Infill:    <sup>12</sup> Consolidation Code:    <sup>13</sup> Order No.: **NSL-Pending**

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**PROJECTED FIRST PERES**  
 330' FNL & 660' FWL

	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2" style="text-align: center;"><b>PLU PHANTOM BANKS 20 25 31 USA NO. II WELL</b></td></tr> <tr><td>X=</td><td>663,226 NAD 27</td></tr> <tr><td>Y=</td><td>408,732</td></tr> <tr><td>LAT.</td><td>32.122624</td></tr> <tr><td>LONG.</td><td>103.806088</td></tr> <tr><td colspan="2">ELEVATION +3383' BOUND 88</td></tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>X=</td><td>704,412 NAD83</td></tr> <tr><td>Y=</td><td>408,790</td></tr> <tr><td>LAT.</td><td>32.122748</td></tr> <tr><td>LONG.</td><td>103.806567</td></tr> </table>	<b>PLU PHANTOM BANKS 20 25 31 USA NO. II WELL</b>		X=	663,226 NAD 27	Y=	408,732	LAT.	32.122624	LONG.	103.806088	ELEVATION +3383' BOUND 88		X=	704,412 NAD83	Y=	408,790	LAT.	32.122748	LONG.	103.806567	<p><b>" OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief, and that this organization either owns a working interest or mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such interest or working interest, or is a voluntary pooling agreement or a compulsory pooling order hereby caused by the division.</p> <p>Signature: <i>Bryan Arrant</i>      Date: <b>07/18/2012</b></p> <p>Printed Name: <b>Bryan Arrant</b></p> <p>Email Address: <b>bryan.arrant@chh.com</b></p> <hr/> <p><b>" SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my direct supervision and that the same is true and correct to the best of my belief.</p> <p>Date of Survey: <b>June 12, 2012</b></p> <p>Signature and Seal of Registered Professional Surveyor: <i>[Signature]</i></p> <p># <b>15078</b> Certificate Number</p>
<b>PLU PHANTOM BANKS 20 25 31 USA NO. II WELL</b>																						
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**EXHIBIT**  
B

**EXHIBIT C**

**Chesapeake's NSL Application  
PLU Phantom Banks 20 25 31 USA 1H well**

BOPCO, L.P.  
201 Main Street, Suite 3100  
Ft. Worth, TX 76102



Teresa Long  
Assistant Landman - Permian District

September 13, 2012

Mr. Monty Montgomery  
BOPCO, L.P.  
201 Main Street, Suite 3100  
Ft. Worth, TX 76102

Re: Application of Chesapeake Operating, Inc. for administrative approval of an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well in the WC; Big Sinks; Bone Spring Pool in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Montgomery:

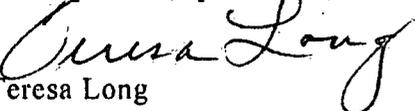
Chesapeake Operating, Inc. has submitted the above-referenced application to the New Mexico Oil Conservation Division for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well. This well is located in Section 20, Township 25 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and is to be drilled horizontally in the Bone Spring pool at a surface location 150 feet from the North line with a penetration point 330 feet from the North line and approximately 660 feet from the West line of Section 20. The bottom-hole location will be 100 feet from the South line and 660 feet from the West line of Section 20.

Division Rules provide that an application may be approved sooner if the applicant obtains waivers from affected parties. We therefore request your waiver of objection to this administrative application. We respectfully request you that you sign this letter and return it by e-mail or overnight delivery as soon as possible.

Thank you for your consideration of this matter. Should you wish to discuss, please feel free to call me at 405-935-9175.

Sincerely,

Chesapeake Exploration, L.L.C.

  
Teresa Long

BOPCO, L.P. agrees to waive objection to Chesapeake Operating, Inc.'s application for an unorthodox well location for its PLU Phantom Banks 20 25 31 USA 1H well.



Non-standard Location Waiver Letter  
PLU Phantom Banks 20 25 31 USA 1H  
Page Two

**BOPCO, L.P., a Delaware limited partnership**

By: BOPCO GP, L.L.C., a Delaware limited  
liability company, general partner

By:   
W. Frank McCreight, Sr. Vice President *WFM*

Date: 9.19.12

## Brooks, David K., EMNRD

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**From:** Adam Rankin <AGRankin@hollandhart.com>  
**Sent:** Thursday, September 27, 2012 10:34 AM  
**To:** Brooks, David K., EMNRD  
**Subject:** RE: Chesapeake - PLU Big Sinks 14 24 30 USA #1; NSL Application

David,

You may have questions regarding other recent NSL applications filed by Chesapeake, so I've included target formation information for those other wells, too.

Big Sinks 14 24 30 USA 1H - First Bone Spring Shale  
Phantom Banks 25 25 30 USA 1H - First Bone Spring Shale  
Phantom Banks 20 25 31 USA 1H - First Bone Spring Shale

Let me know if you have any questions.

Thanks!

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**From:** Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]  
**Sent:** Wednesday, September 26, 2012 5:41 PM  
**To:** Adam Rankin  
**Subject:** Chesapeake - PLU Big Sinks 14 24 30 USA #1; NSL Application

Dear Adam

Can you advise me of the target formation for this well? I have been unable to find a description of the wildcat pool identified on your attached Form C-102 that associates it with a formation.

Sincerely

David